Lenders see stress building in CV space

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DESPITE RISING CREDIT demand for vehicle loans after the GST rationalisation, banks and non-bank finance companies (NBFCs) are seeing an uptick in delinquencies.

The commercial vehicle (CV) segment, which is integral to supply chain activity, has emerged as a key area of pressure as volatile utilisation levels, fluctuating freight rates, longer receivable cycles, and higher fuel and maintenance costs have strained cash flows for transport operators.

Analysts believe that the stress reflects broader supply chain inefficiencies and demand volatility, which have translated into higher delinquencies despite stable disbursement trends.

Within vehicle-linked retail lending, auto loans remain resilient, with 90+ days past due (DPD) stable at 0.6% and no year-on-year deterioration. In contrast, two-wheeler loans have seen rising stress, with 90+ DPD increasing 22 bps year-on-year to 2.2% by September, data from TransUnion CIBIL showed.

"We do see some stress when we look at two-wheeler loans and the commercial vehicle segment, but we want to see how the festive season growth has helped in terms of overall portfolio dynamics. We are closely monitoring this segment," Bhavesh Jain, MD and CEO, TransUnion CIBIL, said.

AM Karthik, senior vice president and co-group head, financial sector ratings, ICRA, said they are seeing a measured approach by banks in disbursing commercial vehicle loans. For NBFCs, 90+ DPD has gone up by 30-40 bps during the first half of this fiscal for most of the players, indicating rising stress in this segment, he added.

Analysts said while the credit growth is robust, sustaining the asset quality would require disciplined underwriting and cautious expansion.